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TRIAX

**TRIAX
DIVERSIFIED
HIGH-YIELD
TRUST**

A high-yield portfolio for individual investors

Annual Report
and Financial Statements

for the year ended

December 31, 1999

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Triax Capital Holdings Ltd.

Over the past five years, Triax has provided Canadian investors with a range of innovative investment products tailored to meet a variety of needs for Canadian investors.

This growing family currently consists of nine investment products with a combined net asset value of approximately \$1 billion representing more than 100,000 Canadian retail investors:

- Triax Growth Fund Inc., one of Canada's leading labour-sponsored investment funds,
- Triax Resource Limited Partnership, a resource sector flow-through limited partnership,
- Triax Resource Limited Partnership II, a resource sector flow-through limited partnership,
- TDK (1998) Flow-Through Limited Partnership, a resource sector flow-through limited partnership,
- TDK (1999) Flow-Through Limited Partnership, a resource sector flow-through limited partnership,
- Triax Diversified High-Yield Trust, a fixed-income investment trust which has the ability to invest in a broad range of Canadian high-yielding investments,
- World Strategic Yield Fund, an international fixed-income investment trust focusing on a diverse basket of global high-yielding securities,
- New Millennium Technology Trust, a trust which invests in leading global technology, Internet and e-commerce companies and mitigates risk through a unique covered call option program, and



- New Millennium Internet Ventures Fund, a labour-sponsored fund focused on Canadian Internet and e-commerce start-up sector.

Triax is wholly-owned by First International Asset Management Inc. of Toronto, a leading Canadian consolidator of financial services companies. First International Asset Management and its affiliates manage approximately \$19 billion in assets.

Triax also manages Marathon Mutual Funds, Inc., another First International Asset Management subsidiary, and administers Multi-fund Income Trust, a vehicle designed to finance deferred sales charges for a variety of mutual fund companies.

More information about Triax and its investment products can be found on its Internet website at www.triaxcapital.com.

TRAX



TRIAX DIVERSIFIED HIGH-YIELD TRUST

“Our principal objective is to provide Unitholders with a minimum yield of two percentage points higher than ten-year Government of Canada Bonds.”

Triax Diversified High-Yield Trust is an investment trust which trades on The Toronto Stock Exchange under the symbol TRH.UN. Its principal objective is to provide a consistent yield of two percentage points higher than the yield on ten-year Government of Canada Bonds. The Trust, which raised more than \$239 million from over 11,000 investors nationwide through an initial public offering in February, 1997, can invest in a diverse basket of high-yielding securities, including corporate bonds, income trusts and other specialty products.

The Trust's investment advisor, Altamira Management Ltd., seeks to reduce the risks traditionally associated with investing in high-yielding securities by diversifying across industries, geographic regions and security type. In implementing this strategy, Altamira draws on the extensive experience and resources of both its fixed income and equity teams.

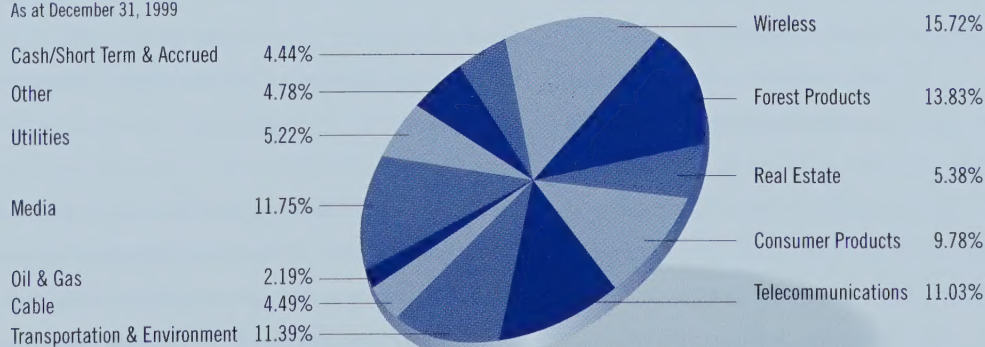
Triax Diversified High-Yield Trust provides Canadian retail investors access to the benefits of investing in the high-yield market, which traditionally has been dominated by institutional investors.

Highlights

- For the third consecutive year, Triax Diversified High-Yield Trust exceeded its objective of providing income at least two percentage points above the yield on ten-year Government of Canada Bonds.
- The Trust returned 7.90%, based on Net Asset Value, outperforming 10 year Government of Canada Bonds by 12 percentage points.
- The Trust distributed \$1.22 per unit in 1999, a yield of 8.13% based on the \$15 per unit issue price, or 10% based on the year-end market price of \$12.20 per Unit.
- Net income grew 5.21% to \$13.5 million from \$12.9 million in 1998.
- Net income per unit was \$1.17, up 14.71% from \$1.02 in 1998.
- The average credit rating of securities held by the Trust was BB, and the average duration was 4.74 years.
- The Trust's investment advisors, Altamira Management Ltd., overweighted the portfolio in the forest products and wireless telecom sectors, which proved to be the largest contributors to 1999's successful performance.
- The Trust's portfolio continues to overweight paper, oil and gas, and wireless telecommunications companies and will likely avoid emerging markets until the interest rate picture has stabilized.

Investments by Sector

As at December 31, 1999



Letter to Unitholders

With another strong performance relative to major benchmarks, Triax Diversified High-Yield Trust, posted its third consecutive year of exceeding its objectives.

The principal objective of the Trust is to deliver consistently superior income — at least two percentage points above the yield on ten-year Government of Canada Bonds — while maximizing capital appreciation for Unitholders. During 1999, ten-year Government of Canada bonds had a negative year, returning -4.1%. Triax Diversified High-Yield Trust returned 7.9%, based on Net Asset Value, outperforming 10 year Government of Canada Bonds by 12 percentage points.

The Trust also distributed a total of \$1.22 per Unit in the year ended December 31, 1999, a yield of 8.13% based on the \$15 per Unit issue price, 10% based on the year-end market price of \$12.20 per Unit or 9.01% based on the year-end Net Asset Value of \$13.54 per Unit.

Net income of \$13.5 million grew 5.2% over \$12.9 million in 1998. On a per Unit basis, 1999 net income was \$1.17, up 14.7% from \$1.02 a year earlier. Earnings were fully distributed to Unitholders.

Net Asset Value, which is calculated after the distributions of earnings and capital gains to Unitholders, declined 9.1% to \$156.5 million from \$172.3 million at the end of 1998. On a per Unit basis, the decline in NAV was only 1.3%, from \$13.71 in 1998 to \$13.54 at the end of 1999. The remaining decline represents an 8% reduction in the number of Units outstanding, reflecting an industry-wide redemption trend resulting from interest rate concerns and the comparative and



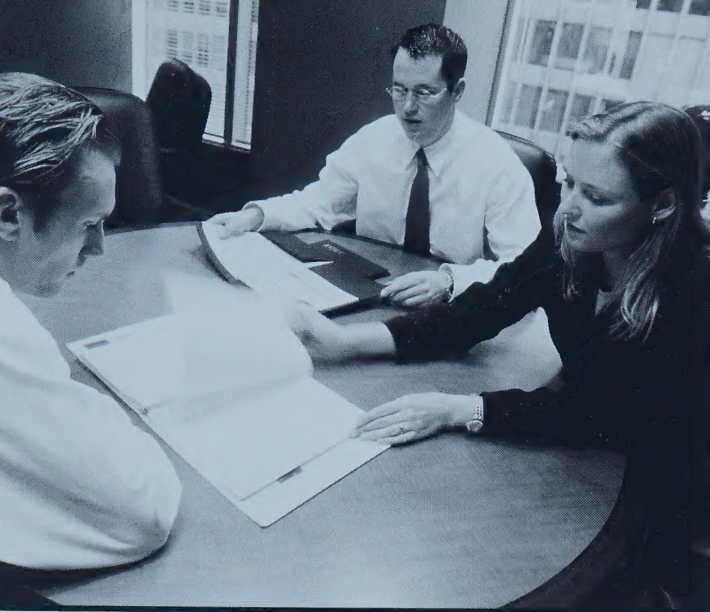
Gordon A. McMillan, *President and Chief Executive Officer*

appealing strength of equity markets. Year 2000-related issues, which failed to materialize, were also a concern in the third and fourth quarters.

The Portfolio

The Trust's assets were solely focused on the obligations of Canadian debt issuers, which comprised 95.2% of the portfolio, with the remainder in cash and short-term investments. The average credit rating of securities held by the Trust was BB, and the average duration 4.74 years.

At the outset of 1999, our investment advisors, Altamira Management Ltd., forecast a strengthening economy, and rising commodity prices and interest rates. As a result, they overweighted the Trust's portfolio in the forest products and wireless telecom sectors. These expectations proved correct and, combined with a strategy of lowering interest rate sensitivity, the focus on



commodity and technology issues was the largest contributor to the Trust's success in outperforming its objective.

Only one security held by the Trust — Hurricane Hydrocarbons — defaulted during 1999. As a consequence, this company's proportion of our total portfolio, approximately 3%, constitutes the Trust's default rate for the year, which compares favourably to the 5.51% default rate for the U.S. high yield market in 1999.

Overall default rates rose in 1999 despite the strong economy, however, the Trust's default rate continues to be well below the market average. The market default rate has been drifting downward since reaching a peak in October, 1999, and this declining trend is expected to continue in 2000.

The Hurricane Hydrocarbons situation is unusual. Despite the fact that the company remained under bankruptcy protection at year end (the time of this annual report), the Trust expects to fully recover all principal and past due interest, as well as potentially secure a valuable equity stake in the company. With the recent strong rebound in oil prices, Hurricane Hydrocarbons' cash flows have improved to the point that all past due interest is expected to be received in the near future. We also expect to conclude negotiations in

2000 that will provide either full repayment of principal or reinstatement of the original 2002 maturity with an equity stake in the company. Once out of bankruptcy protection, the company's equity should rise quickly, resulting in the unusual case where a defaulted bond actually returns more than 100% recovery.

Outlook

We expect that North America's economies will maintain their strength through at least the first half of 2000, which would likely lead to interest rate hikes of 50 to 75 basis points in both Canada and the U.S. The majority of this increase is already reflected in the market however, and our investment advisors do not expect that rising rates would result in more than a moderate economic slowdown.

The Trust's portfolio continues to overweight paper, oil and gas, and wireless telecommunications companies on the expectation of rising pulp prices, only modest declines in oil prices, and wireless subscriber growth of at least 25%. The Trust's investment advisors will likely avoid emerging markets, despite their improving fundamentals, until the interest rate picture has stabilized.

Gordon A. McMillan

President and Chief Executive Officer

Triax Yield Trust Management Inc.

April 7, 2000

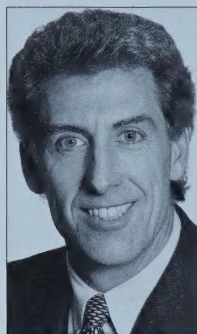
The Investment Advisor

Altamira Management Ltd.

Altamira Management Ltd. ("Altamira") has been retained by Triax Investment Management Inc. to manage the Triax Diversified High-Yield Trust portfolio.

Altamira, which was founded in 1987, has net assets under management of \$5 billion. In addition to its own family of 42 no-load mutual funds known as the Altamira Funds, Altamira provides investment advisory and portfolio management services to a wide range of clients including the pension funds of major industrial corporations, financial institutions, public institutions such as universities and hospitals, and private individuals.

Barry Allan is the Trust's lead portfolio manager responsible for implementing the Trust's investment strategy on a day-to-day basis. He is supported by Paulina Yip, Dorothea Mell and the Altamira equities team who are responsible for the credit analysis of issuers in which specific investments are made. Altamira uses its full research, information and other resources to identify opportunities where it believes there is a positive divergence between the potential return and the underlying risk.



Barry Allan is a Vice-President and Portfolio Manager, Fixed Income of Altamira. Mr. Allan has been in the investment business for 16 years and joined Altamira in 1994 after having held the position of Vice-President and Director with Nesbitt Thomson, Inc. He currently manages the Altamira High-Yield Bond Fund.

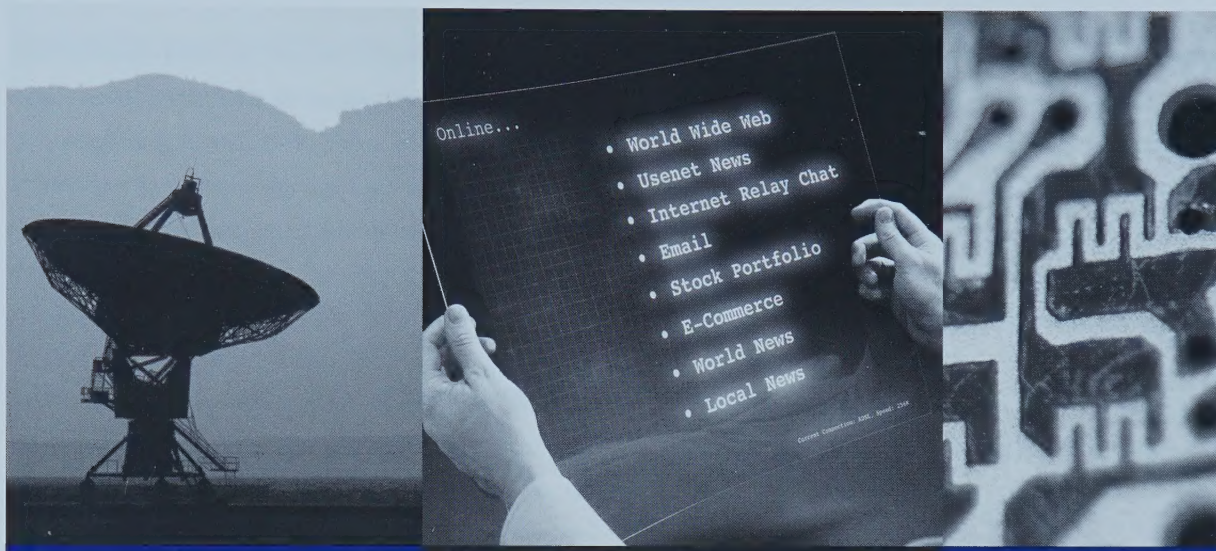


Paulina Yip is a Research Analyst with Altamira. Ms. Yip has seven years' investment experience and started at Altamira in 1997 from the Workers' Compensation Board. She is a member of the Altamira High-Yield Bond Fund portfolio team.



Dorothea Mell is a Research Analyst with Altamira. Ms. Mell has six years' investment experience and joined Altamira in 1998 from Metropolitan Life Insurance Company. She is a member of the Altamira High-Yield Bond Fund portfolio team.

Top Ten Holdings



As at December 31, 1999

Description	Maturity Date	Book Value \$	Market Value \$	% of Portfolio
Microcell Telecommunications Inc., Series B 0 - 11.125%	October 15, 2007	11,306,726	11,715,300	5.8
Air Canada 5.612% (U.S.)	July 31, 2005	10,977,846	10,391,710	5.2
Sheritt Power Corporation 11.50%	March 31, 2004	10,757,060	10,003,500	5.0
Rogers Communications Inc. 9.65%	January 15, 2014	9,612,275	9,237,280	4.6
Scott Paper Ltd. 10.00%	June 6, 2007	8,928,568	8,559,225	4.2
Rogers Cablesystems Limited 8.75%	July 15, 2007	7,888,435	8,241,350	4.1
St. Joseph Printing Ltd. 11.50%	December 21, 2004	7,500,000	7,500,000	3.7
Consumers International Inc. 10.25% (U.S.)	April 1, 2005	8,059,867	6,896,631	3.6
Cleynet Communications Inc.	August 13, 2002	7,306,563	7,058,025	3.5
Telesystem International Wireless Inc., Series B 0 - 13.25% (U.S.)	June 30, 2007	6,140,154	6,918,570	3.4

Management's Discussion and Analysis

Triax Diversified High-Yield Trust is an investment trust governed by the laws of the Province of Ontario, established on February 20, 1997 through an initial public offering of Trust Units. The principal objective of the Trust is to provide investors with superior income equal to or exceeding the yield on ten-year Government of Canada Bonds plus 2%.

The price per Unit at the initial public offering was \$15.00, payable in two instalments in 1997 and 1998.

Assets of the Trust

As at December 31, 1999, the Trust had net assets of \$156,533,486, or \$13.54 per Unit, compared with \$172,288,695 or \$13.71 per Unit as at December 31, 1998. This represents a decline of 9.1% in total Net Asset Value and of 1.3% in Net Asset Value per Unit. As at December 31, 1999, there were 11,563,119 Units outstanding, 8% fewer than the total outstanding as at December 31, 1998 of 12,566,661.

Income, Capital Gains and Distributions

Net income for the period ended December 31, 1999 was \$13,535,992, or \$1.17 per Unit, compared to \$12,860,378, or \$1.02 per Unit, at December 31, 1998. All of this net income was distributed to Unitholders.

The Trust realized capital gains of \$1,034,765 or \$0.09 per Unit in 1999, compared to a capital gain of \$4,350,522 or \$0.35 per Unit in 1998. Distributions were made monthly to Unitholders.

Total distributions of \$1.22 per Unit were made in 1999, versus total distributions of \$1.20 in 1998. Based upon the closing market price of \$12.20 on December 31, 1999, the yield per Unit was 10% compared to a yield of 9.45% based upon a closing price of \$12.70 per Unit on December 31, 1998.

1999 Investment Activity

The Trust's focus in 1999 was to invest in higher yielding debt obligations of Canadian issuers, with primary consideration being relative value and current yield. At year end, the average credit rating of securities in the portfolio was BB, with an average duration of approximately 4.74 years. As at December 31, 1998 the portfolio was invested in 41 different securities of which 95.2% were domestic issuers, 0.0% were foreign issuers and 4.8% was in cash and short term investments.

Liquidity and Capital Resources

Pursuant to a credit agreement with a Canadian chartered bank, the Trust has the ability to borrow money to make additional investments in the portfolio in accordance with the Trust's investment guidelines. Prior to February 18, 1998, the Trust had borrowed an amount equal to the aggregate proceeds due from Unitholders for the final instalment of the purchase price for Units. This amount was repaid from the proceeds of the final instalment received on February 18, 1998. Subsequent to February 18, 1998, the Trust continued to borrow amounts up to 25% of the Net Asset Value of the Trust.

Dividend Re-Investment Program (DRIP)

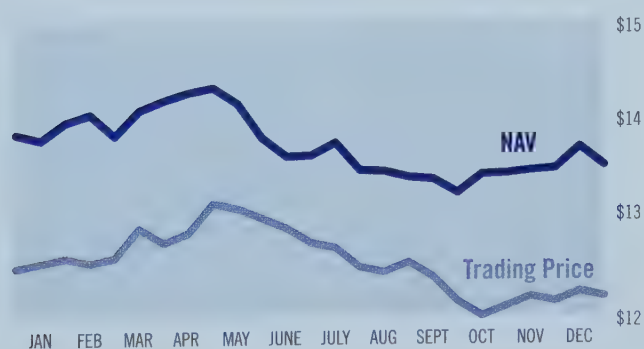
The Trust offers a dividend re-investment program that allows participating Unitholders the option to automatically re-purchase Units of the Trust in the open market using funds received from monthly distributions. A Unitholder may choose to participate or terminate participation in the DRIP program by providing written notice to his or her broker or other participant in the Canadian Depository for Securities Ltd.'s depository services.

Normal Course Issuer Bid

The Trust made a normal course issuer bid for its Units according to the by-laws and policies of The Toronto Stock Exchange Inc. The bid commenced on November 23, 1998 and terminated on November 22, 1999. In December, 1998, 12,200 Units were purchased at an average market price of \$12.65 per Unit.

Redemption Privilege

A resolution approved at a Special Meeting of Unitholders on May 20, 1998 gave Unitholders the ability to redeem Units on a quarterly basis. In an effort to reduce the market price discount to Net Asset Value and increase liquidity, this feature allows Unitholders to redeem an unlimited number of Units of the Trust at a redemption price equal to the Net Asset Value as at the redemption date less a charge which started at 6.75% and declines by 0.75% for each year or part year of operation. The redemption charge in 2000 is equal to 5.25% of the Net Asset Value as at the redemption date.



1999 NAV vs Trading Price

AUDITORS' REPORT

To the Unitholders of
Triax Diversified High-Yield Trust

We have audited the statements of financial position of **Triax Diversified High-Yield Trust** as at December 31, 1999 and 1998, the schedule of investments as at December 31, 1999 and the statements of income and retained earnings and changes in net assets for the years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 1999 and 1998, its investments as at December 31, 1999 and the results of its operations and the changes in its net assets for the years then ended in accordance with accounting principles generally accepted in Canada.

Toronto, Canada,
March 10, 2000.

Ernst & Young LLP
Chartered Accountants

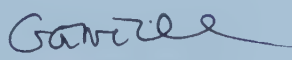
Statements of Financial Position


As at December 31

	1999 \$	1998 \$
ASSETS		
Investments, at cost	200,188,781	222,273,852
Unrealized depreciation of investments	(10,570,798)	(7,829,353)
Investments, at market value	189,617,983	214,444,499
Cash and short-term investments	9,538,192	2,753,998
Due from brokers	2,420,665	1,137,640
Deferred charges	418,506	192,384
Accrued income	4,454,022	4,824,916
	206,449,368	223,353,437
LIABILITIES		
Accounts payable and accrued liabilities	280,332	409,645
Due to brokers	687,771	—
Redemptions payable	7,460,204	4,870,097
Distributions payable	1,387,575	1,885,000
Bank indebtedness [note 3]	40,100,000	43,900,000
	49,915,882	51,064,742
Net assets, at market value	156,533,486	172,288,695
UNITHOLDERS' EQUITY [notes 1 and 4]		
Net capital transactions [note 7]	164,852,721	178,985,206
Realized gains on sale of investments	14,222,817	16,741,708
Realized foreign exchange losses	(9,419,593)	(12,973,249)
Unrealized depreciation of investments	(10,570,798)	(7,829,353)
Unrealized foreign exchange gains	2,251,563	1,132,842
Capital gain distribution to Unitholders	(4,803,224)	(3,768,459)
Unitholders' equity, at market value	156,533,486	172,288,695
Units outstanding	11,563,119	12,566,661
Unit value	13.5373	13.7100

See accompanying notes

On behalf of Triax Diversified High-Yield Trust by its manager,
Triax Yield Trust Management Inc.:


Director


Director

Statements of Income and Retained Earnings

Years ended December 31

	1999 \$	1998 \$
REVENUE		
Interest income	19,196,674	20,507,251
EXPENSES		
Investment Advisor fee [note 5]	1,653,638	2,146,975
Manager fee [note 5]	1,074,864	1,395,968
Interest and borrowing charges [note 3]	2,392,070	3,275,883
Administration	357,824	561,087
Goods and Services Tax	182,286	266,960
	5,660,682	7,646,873
Net income for the year	13,535,992	12,860,378
Income distribution to Unitholders	(13,535,992)	(12,860,378)
Retained earnings, end of year	—	—
Net income per unit	1.1128	0.8105

See accompanying notes

Statements of Changes in Net Assets

Years ended December 31

	1999 \$	1998 \$
Net assets, beginning of year	172,288,695	235,566,313
INCOME		
Net income for the year	13,535,992	12,860,378
Income distribution to Unitholders	(13,535,992)	(12,860,378)
	—	—
Realized and unrealized depreciation of investments during the year		
Cost of investments, beginning of year	222,273,852	220,659,592
Purchases during the year	353,168,263	974,291,776
	575,442,115	1,194,951,368
Cost of investments, end of year	200,188,781	222,273,852
Cost of investments sold during the year	375,253,334	972,677,516
Proceeds on sale of investments	372,734,443	982,564,285
Realized gains (losses) on sale of investments	(2,518,891)	9,886,769
Realized foreign exchange gains (losses)	3,553,656	(5,536,247)
Change in unrealized depreciation of investments in the statements of financial position	(2,741,445)	(18,125,536)
Change in unrealized foreign exchange gains	1,118,721	877,523
	(587,959)	(12,897,491)
Capital gain distribution to Unitholders	(1,034,765)	(3,768,459)
CAPITAL TRANSACTIONS		
Subscriptions paid	—	111,794,200
Second instalment receivable	—	(111,794,200)
Redemption of units	(13,808,513)	(46,126,007)
Distributions reinvested	—	22,717
Distribution on account of capital	(323,972)	(508,378)
	(14,132,485)	(46,611,668)
Net assets, end of year	156,533,486	172,288,695

See accompanying notes

TRIAX DIVERSIFIED HIGH-YIELD TRUST

Schedule of Investments

As at December 31, 1999

Description	Number or par value	Average cost \$	Market value \$
EQUITIES [2.67%]			
Magna International Inc., Pfd. Series A	145,129	3,618,161	3,439,557
Sherritt Power Corp.	243,000	1,071,630	735,075
		4,689,791	4,174,632

BONDS, NOTES AND CONVERTIBLE SECURITIES [118.47%]

Canadian Dollar [52.96%]

Avenor Inc., 10.850%, Nov/30/2014	6,000	7,120	7,088
Call-Net Enterprises Inc., 8.375%, Aug/15/2007	5,506,000	5,192,006	4,404,800
Canadian Hotel Income Properties Real Estate, 7.450%, Feb/04/2003	6,491,000	6,430,066	6,148,924
Clearnet Communications Inc., Aug/13/2002	9,906,000	7,306,563	7,058,025
Clearnet Communications Inc., May/15/2008	2,500,000	1,593,514	1,581,250
Clearnet Communications Inc., Feb/15/2009	4,123,000	2,392,201	2,407,007
Hurricane Hydrocarbons Ltd., 11.000%, Mar/27/2002	6,450,000	6,450,000	4,515,000
Intrawest Corp., 6.850%, Dec/02/2002	73,000	69,350	69,898
Microcell Telecommunications Inc., 11.125%, Oct/15/2007	17,356,000	11,306,726	11,715,300
Rogers Cablesystems Inc., 8.750%, Jul/15/2007	8,180,000	7,888,435	8,241,350
Rogers Cantel Mobile Communications Inc., 10.500%, Jun/01/2006	1,299,000	1,446,250	1,443,579
Rogers Communications Inc., 9.650%, Jan/15/2014	8,882,000	9,612,275	9,237,280
Scott Paper Co., 10.000%, Jun/06/2007	9,405,742	8,928,568	8,559,225
Sherritt Power Corp., 11.500%, Mar/31/2004	12,350,000	10,757,060	10,003,500
St. Joseph Printing Ltd., 11.500%, Dec/21/2004	7,500,000	7,500,000	7,500,000
		86,880,134	82,892,226

TRIAX DIVERSIFIED HIGH-YIELD TRUST

Schedule of Investments (continued)

As at December 31, 1999

Description	Number or par value	Average cost \$	Market value \$
United States Dollar [65.51%]			
Air Canada, 5.613%, Jul/31/2005	8,000,000	10,977,846	10,391,710
Algoma Steel Inc., 12.375%, Jul/15/2005	4,735,000	6,362,078	6,406,868
Alliance Atlantis Communications Ltd., 13.000%, Dec/15/2009	2,450,000	3,603,206	3,549,505
Bioval Corporation International, 10.875%, Nov/15/2005	1,841,000	2,823,731	2,789,958
Call-Net Enterprises Inc., Aug/15/2008	850,000	600,522	594,998
Call-Net Enterprises Inc., May/15/2009	3,210,000	2,547,912	2,154,331
Call-Net Enterprises Inc., 9.375%, May/15/2009	1,000,000	1,229,599	1,196,923
Canadian Airlines Corp., 12.250%, Aug/01/2006	800,000	894,414	646,595
Canadian Forest Oil Ltd., 8.750%, Sep/15/2007	3,000,000	4,330,881	4,124,210
Consumers International Inc., 10.250%, Apr/01/2005	5,430,000	8,059,867	6,896,631
Doman Industries Ltd., 8.750%, Mar/15/2004	5,030,000	5,379,160	6,243,397
Doman Industries Ltd., 9.250%, Nov/15/2007	250,000	290,259	290,030
Imax Corp., 7.875%, Dec/01/2005	3,020,000	4,631,897	4,097,220
Intrawest Corp., 9.750%, Aug/15/2008	3,240,000	5,274,418	4,862,021
Marsulex Inc., 9.625%, Jul/01/2008	4,943,000	7,361,636	6,875,939
Miller Western Forest, 9.875%, May/15/2008	3,320,000	4,807,263	4,791,733
Norampac Inc., 9.500%, Feb/01/2008	4,444,000	6,746,960	6,574,344
Ntex Inc., 11.500%, Jun/01/2006	3,250,000	4,731,677	1,876,281
Pacifica Papers Inc., 10.000%, Mar/15/2009	390,000	585,013	581,178
Sun Media Corp., 9.500%, Feb/15/2007	1,272,000	2,099,191	1,831,279
Telesystem International Wireless, Jun/30/2007	7,490,000	6,140,154	6,918,569

Schedule of Investments (continued)

As at December 31, 1999 Description	Number or par value	Average cost \$	Market value \$
Telesystem International Wireless, Nov/01/2007	1,750,000	1,438,122	1,401,798
Tembec Inc., 9.875%, Sep/30/2005	3,945,000	6,051,476	5,886,242
Western Star Trucks Holdings Ltd., 8.750%, May/01/2007	4,015,000	5,627,357	5,534,055
Worldwide Fiber Inc., 12.000%, Aug/01/2009	4,050,000	6,024,217	6,035,310
		108,618,856	102,551,125
		195,498,990	185,443,351
Total investments [121.14%]		200,188,781	189,617,983
Cash and short-term investments [6.09%]			9,538,192
Bank indebtedness [-25.62%]			(40,100,000)
Other assets, net of liabilities [-1.61%]			(2,522,689)
Net assets [100.00%]			156,533,486

See accompanying notes

Notes to Financial Statements

1. THE TRUST

Triax Diversified High-Yield Trust [the "Trust"] is an investment trust created under the laws of the Province of Ontario pursuant to a Trust Agreement dated February 6, 1997, as amended September 15, 1998. On February 20, 1997, the Trust completed an initial public offering of 14,700,000 units at \$15 per unit. On March 24, 1997, an over-allotment option granted to agents was exercised for 1,270,600 units at \$15 per unit. The purchase price of the units was payable in two instalments, \$8 per unit on the date of subscription [the "first instalment"] and \$7 per unit on February 18, 1998 [the "second instalment"]. The Trust will terminate on or about January 1, 2007 and the net assets will be distributed pro rata to the unitholders unless an alternative later termination date is approved by the unitholders.

The manager of the Trust is Triax Yield Trust Management Inc. [the "manager"] and the investment advisor of the Trust is Altamira Management Ltd. [the "investment advisor"].

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting principles generally accepted in Canada and the following is a summary of significant accounting policies followed by the Trust.

Investments

Bonds and debentures are valued each business day at the most recent price reported by recognized investment dealers. The difference between market value and average cost, as recorded in the accounts, is shown as unrealized appreciation (depreciation) of investments. Average cost is used to determine the gain or loss on investments sold. Interest income is recorded on the accrual basis.

Short-term investments are valued at cost plus accrued interest which approximates market value.

Foreign currency translation

Investments at market value and other assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchanges applicable on the valuation dates. Investment transactions and income and expenses are translated at the rates of exchange on the date of such transactions.

The Trust is permitted to invest in forward currency contracts. The value of these forward contracts is recorded as the unrealized gain or loss that would be realized if the position was to be closed out. The value of the unrealized gain or loss is included in due from or due to brokers, as applicable. Upon maturity of the contracts, the difference between the carrying value and the market value is included in realized foreign exchange gains or losses.

Unit Value

The unit value is calculated as net assets at market value divided by the number of units outstanding of the Trust.

Income taxes

No provision for income taxes has been recorded in the accompanying financial statements as all income and net realized taxable capital gains are distributed to the unitholders.

3. BANK INDEBTEDNESS

The manager, on behalf of the Trust, has entered into a revolving term facility with a Canadian bank. Under the terms of the facility, the Trust may borrow up to 25% of the net asset value, excluding bank indebtedness, of the Trust. Amounts borrowed under the facility are collateralized by a security interest in the assets and undertakings of the Trust. Amounts borrowed will

bear interest at the bank's prime rate or, if incurred by way of banker's acceptance, at rates slightly below prime. As at December 31, 1999, the indebtedness was in the form of 180 day [1998 - 45 day] banker's acceptances with an effective interest rate of 5.99% [1998 - 5.04%]. The fair value of the bank indebtedness approximates the carrying value as at December 31, 1999 and 1998.

4. UNITHOLDERS' EQUITY

The Trust is authorized to issue an unlimited number of transferable units of one or more classes, each of which represents an equal, undivided interest in the net assets of the Trust. Prior to the second instalment date, beneficial ownership of units issued under the initial public offering are evidenced by first instalment receipts.

The Trust distributes to unitholders on a monthly basis all its net income for income tax purposes and on an annual basis all its net realized capital gains less capital loss carryforwards, if any. Unitholders may elect to reinvest distributions received from the Trust in additional units. Reinvested distributions will either be made through the issuance by the Trust of additional units at the net asset value per unit on the distribution date or, after the payment of the second instalment, through purchases in the market at the market price per unit plus applicable commissions or brokerage charges, whichever is less. If the net asset value per unit on the distribution date is less than an amount [the "Reinvestment Issue Price"] equal to 90% of the weighted average of the closing price for the units on The Toronto Stock Exchange for the five-day period immediately preceding the distribution date, units will be issued from the Trust at a price per unit equal to the Reinvestment Issue Price.

The Trust will have the ability to repurchase units at the then prevailing market price up to an annual maximum of 5% of the units outstanding at the beginning of each calendar year beginning in 1998, if at any time the units are trading at a price below net asset value per unit.

Commencing with the quarter ended September 30, 1998, unitholders are entitled to redeem their units outstanding. Unitholders will be entitled to receive a redemption price per unit equal to the net asset value per unit less an amount equal to 6.75% of the net asset value per unit on the redemption date in respect of redemptions to December 31, 1998 and declining by 0.75% for each year or part year remaining up to December 31, 2006.

5. EXPENSES OF THE TRUST

The manager is entitled to an annual fee of 0.65% of the Net Asset Value of the Trust, as defined. This fee is accrued daily and calculated and paid monthly in arrears based on the Net Asset Value at the end of the preceding month.

The investment advisor is entitled to an annual fee of 1.00% of the Net Asset Value of the Trust, as defined. This fee is accrued daily and calculated and paid monthly in arrears based on the Net Asset Value at the end of the preceding month.

The Trust is responsible for all costs relating to its administration.

6. FORWARD CURRENCY CONTRACTS

As at December 31, 1999, the Trust had entered into contracts to deliver currencies at specified future dates as follows:

	Sale Amount \$		Purchase Amount \$	Settlement dates	Unrealized foreign exchange gain (loss) on contracts \$
CDN	1,154,634	USD	800,000	01/13/00	(24,325)
CDN	1,159,720	USD	800,000	01/13/00	(2,650)
CDN	472,928	USD	320,000	01/13/00	(10,081)
USD	77,837,000	CDN	113,556,692	01/13/00	2,425,814
USD	1,130,000	CDN	1,666,249	01/13/00	31,907
					2,420,665

7. NET CAPITAL TRANSACTIONS

As at December 31, net capital transactions to date consists of the following:

	1999 \$	1998 \$
Subscriptions paid	239,559,000	239,559,000
Redemption of units	(59,934,520)	(46,126,007)
Distributions reinvested	85,692	85,692
Agents' fees and expenses of issue [note 8]	(14,025,101)	(14,025,101)
Distribution on account of capital	(832,350)	(508,378)
	164,852,721	178,985,206

8. AGENTS' FEES AND EXPENSES OF ISSUE

Agents' fees and expenses of issue relating to the initial public offering of units totaled \$14,025,101 and were payable from the first instalment. These expenses have been charged to unitholders' equity in the accompanying financial statements.

9. YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date to the year 2000 has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the Trust, including those related to the Trust's servicing organizations, agents, or other third parties, have been fully resolved.

Corporate Information

LISTED

The Toronto Stock Exchange
The Montreal Exchange

TICKER SYMBOL

TRH.UN

THE MANAGER

Triax Yield Trust Management Inc.
a wholly-owned subsidiary of
Triax Capital Holdings Ltd.

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